Saskatchewan
Finance

Annual Report 2002-2003

Public Employees Benefits Agency Revolving Fund

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Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

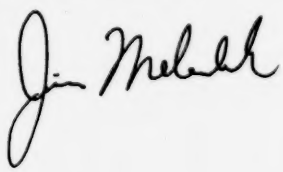
Dear Madam:

Letter of Transmittal

I have the honour to transmit herewith the twelfth Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 2003.

I have the honour to be, Madam,

Your obedient servant,



Jim Melenchuk
Minister of Finance

Saskatchewan
Finance

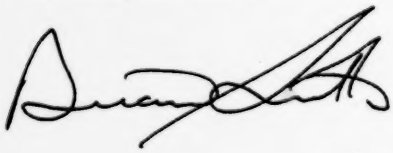
The Honourable Jim Melenchuk
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the twelfth Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 2003.

Respectfully submitted,



Brian Smith
Executive Director

INTRODUCTION

The Public Employees Benefits Agency Revolving Fund was established effective April 1, 1988. The authority for the Fund is contained in Section 65 of *The Financial Administration Act, 1993.*

The intent of the Fund is to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the following plans and programs:

Pension Funds	Employee Benefit Funds
Public Employees Pension Plan	Public Employees Group Life Insurance Plan
Public Service Superannuation Plan	Public Employees Dental Plan
Municipal Employees' Pension Plan	Public Employees Extended Health Care Plan
Liquor Board Superannuation Plan	Public Employees Extended Health Care Plan for Certain Other Employees
Workers' Compensation Board Superannuation Plan	Public Employees Disability Income Plan
Saskatchewan Transportation Company Superannuation Plan	Public Employees Deferred Salary Leave Plan
Anti-Tuberculosis League Superannuation Plan	Government of Saskatchewan Unscheduled Aircraft Plan
Members of the Legislative Assembly Superannuation Plan	Government of Saskatchewan Scheduled Aircraft Plan
Judges of the Provincial Court Superannuation Plan	SaskPower Supplementary Superannuation Plan
Saskatchewan Pension Annuity Fund	Additional Pension Contribution Program
	Government of Saskatchewan and Saskatchewan Government and General Employees' Union Benefit Plans' Surplus Fund
	Government of Saskatchewan and Canadian Union of Public Employees Local No. 600-3 Benefits Plans Surplus Fund
	Extended Health Care Plan for Retired Employees
	Extended Health Care Plan for Certain Other Retired Employees
	SaskPower Millennium Trust Fund

OPERATION OF THE PLAN

ADMINISTRATION

The Fund is managed by the Public Employees Benefits Agency, Saskatchewan Finance.

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis.

Costs relating to a particular plan or program are allocated to that plan. All other costs are allocated to the plans and programs using a formula primarily based on time required to administer these plans and programs.

FINANCING

The maximum amount for accumulated net expenditure has been set at $2,200,000. Subsection 65(12) of *The Financial Administration Act, 1993*, provides for the maximum of accumulated net expenditure which may at anytime be outstanding to be set by order of the Lieutenant Governor in Council.

ADMINISTRATION COSTS

2003	$6,978,225	
2002	$6,286,214	
2001	$5,883,129	
2000	$5,901,010	(Restated)

All costs are paid by the various plans and programs. Revenue and expenses will therefore equal, leaving the excess of revenues over expenditures a "nil" amount annually.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Benefits Agency Revolving Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Benefits Agency Revolving Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the Public Employees Benefits Agency Revolving Fund for the year ended March 31, 2003 and the Provincial Auditor's report on these financial statements.

Brian Smith
Executive Director
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Ann Mackrill
Director, Pension Programs
Public Employees Benefits Agency

Regina, Saskatchewan
May 8, 2003

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2003

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Public Employees Benefits Agency Revolving Fund as at March 31, 2003 and the statements of operations, and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
May 8, 2003

Fred Wendel, CMA, CA
Provincial Auditor

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND **STATEMENT 1**
BALANCE SHEET

AS AT MARCH 31

	2003	2002
ASSETS		
Accounts receivable (Note 6)	$ 879,232	$ 578,801
Capital assets (Note 4)	683,311	994,069
	$1,562,543	$1,572,870
LIABILITIES		
Liabilities:		
Accounts payable and accrued liabilities (Note 6)	$ 640,713	$ 601,698
Non-current Liabilities:		
Accumulated net expenditure (Statement 3)	921,830	971,172
	$1,562,543	$1,572,870

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND
STATEMENT OF OPERATIONS

STATEMENT 2

FOR THE YEAR ENDED MARCH 31

	2003		2002
	Budget (Note 7)	Actual	Actual
REVENUE:			
Administration fees (Note 6)	$7,887,924	$6,978,225	$6,286,214
EXPENSES: (Note 6)			
Salaries and benefits	3,987,613	3,594,408	3,297,692
Contractual services	1,779,022	1,779,047	1,444,301
Amortization	815,392	588,716	589,826
Rent	519,536	465,839	427,834
Postage and communications	323,465	265,949	267,226
Supplies	170,936	85,332	93,178
Travel	168,430	96,637	79,798
Advertising/printing	97,070	77,880	68,970
Board and business expenses	17,960	14,470	13,714
Repairs and maintenance	8,500	9,947	3,675
Total expenses	7,887,924	6,978,225	6,286,214
Net income	$ ---	$ ---	$ ---

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND **STATEMENT 3**
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE

FOR THE YEAR ENDED MARCH 31

	2003	2002
Financing (provided by) required for operating activities:		
Net income	$ ---	$ ---
Items not affecting working capital - Amortization	(588,716)	(589,826)
Net increase in working capital items related to operations (Note 5)	261,416	(534,236)
Net financing from operating activities	(327,300)	(1,124,062)
Financing required for investing activities:		
Purchase of capital assets	277,958	638,016
Net financing used in investing activities	277,958	638,016
Net decrease in financing requirements	(49,342)	(486,046)
ACCUMULATED NET EXPENDITURE, beginning of year	971,172	1,457,218
ACCUMULATED NET EXPENDITURE, end of year – to Statement 1	$ 921,830	$ 971,172

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2003

1. Authority and Definition of Accounting Entity

The authority for the Public Employees Benefits Agency Revolving Fund (Revolving Fund) is contained in Section 65 of *The Financial Administration Act, 1993*. The Revolving Fund was established to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various plans and programs administered by PEBA in accordance with the policy described in Note 2(c).

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 5. The following policies are considered significant:

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund consists of the net increase (decrease) in financing requirements for each fiscal year since inception.

c) Revenue – Administration fees

The costs incurred by PEBA in the administration of the various plans and programs are billed on a monthly basis to these plans and programs as follows:

i) Costs relating to a particular plan or program are allocated to that plan.
ii) All other costs are allocated to the various plans and programs using a formula primarily based on employees' time required to administer these plans and programs.

d) Capital Assets

Individual capital assets and leasehold improvements costing more than $500 are capitalized. Capital assets are amortized on a straight-line basis over three years for computer software, hardware, and system development, and over five years for furniture and leasehold improvements. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations.

3. Authorized Financing

Subsection 65(12) of *The Financial Administration Act, 1993* provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been set at $2,200,000 by Order-in-Council 328/00.

4. Capital Assets

	Cost		Accumulated Amortization		Net Book Value	
	2003	2002	2003	2002	2003	2002
Computer Hardware	$ 756,785	$ 861,448	$ 659,816	$ 691,643	$ 96,969	$169,805
Computer Software	170,693	146,525	142,344	110,490	28,349	36,035
Furniture	309,289	308,653	149,060	108,064	160,229	200,589
System Development	1,170,627	966,874	772,863	438,724	397,764	528,150
Leaseholds	289,875	289,875	289,875	230,385	---	59,490
	$2,697,269	$2,573,375	$2,013,958	$1,579,306	$683,311	$994,069

During the year, the Revolving Fund disposed of assets that had costs of $154,064 and accumulated amortization of $154,064. These amounts have been removed from the cost and accumulated amortization balances above.

5. Net Change in Working Capital Items Related to Operations

	2003	2002
Increase (decrease) in accounts receivable	$300,431	$(125,971)
(Increase) in accounts payable and accrued liabilities	(39,015)	(408,265)
	$261,416	$(534,236)

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Expenses include $1,106,526 (2002 - $988,695) that the Department of Finance paid for rent and certain administrative services provided to the Revolving Fund. The Revolving Fund bills the various plans and programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993*, to recover those expenses. Amounts received by the Revolving Fund relating to these costs are paid to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993*.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including financing and certain administrative costs. These costs have been absorbed by various departmental appropriations and therefore, no provision for such costs is reflected in these financial statements.

Routine operating transactions with other related parties are recorded at standard rates charged by those organizations and are settled on normal trade terms.

The following table summarizes the Revolving Fund's related party transactions that are in the normal course of operations.

	2003	2002
Administration fees	$6,978,225	$6,286,214
Expenses:		
Salaries and benefits	490,721	424,679
Rent	444,374	405,639
Postage and communications	189,792	180,880
Supplies	21,849	28,604
Contractual services	19,369	9,802
Travel	2,041	2,782
Repairs and maintenance	6,118	2,125
Advertising/printing	2,068	2,004
Board and business expenses	1,661	---

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	2003	2002
Accounts receivable	$861,224	$578,801
Accounts payable and accrued liabilities	$ 90,985	$133,145

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

7. Budget

The various pension plan boards approved their component of the annual budget. A copy of the annual budget was also submitted to Treasury Board.

8. Amount Reported in Public Accounts

The net (expenditure) recovery of the Revolving Fund reported in Public Accounts is the net income of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2003	2002
Net income	$ ---	$ ---
Decrease (increase) in net capital assets	310,758	(48,190)
Amounts not included in Public Accounts due to timing	6,264	(76,442)
Net recovery (expenditure) reported in Public Accounts	$317,022	$(124,632)

9. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as accounts receivable, and accounts payable and accrued liabilities that affect the amount, timing, and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. However, the majority of the Revolving Fund's receivables are from government plans and programs administered by PEBA. Therefore, the credit risk is minimal.

c) Fair value

The Revolving Fund's financial instruments include accounts receivable and accounts payable and accrued liabilities. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

10. Comparative Figures

Certain of the 2002 balances have been reclassified to conform with the current year's presentation.